

107TH CONGRESS
2D SESSION

H. R. 5596

To amend section 527 of the Internal Revenue Code of 1986 to eliminate notification and return requirements for State and local party committees and candidate committees and avoid duplicate reporting by certain State and local political committees of information required to be reported and made publicly available under State law, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 10, 2002

Mr. BRADY of Texas (for himself, Mr. DOGGETT, Mr. VITTER, Mr. POMEROY, Mr. SHAYS, and Mr. MEEHAN) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend section 527 of the Internal Revenue Code of 1986 to eliminate notification and return requirements for State and local party committees and candidate committees and avoid duplicate reporting by certain State and local political committees of information required to be reported and made publicly available under State law, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. EXEMPTION FOR CERTAIN STATE AND LOCAL**
 2 **POLITICAL COMMITTEES FROM NOTIFICA-**
 3 **TION REQUIREMENTS.**

4 (a) EXEMPTION FROM NOTIFICATION REQUIRE-
 5 MENTS.—Paragraph (5) of section 527(i) of the Internal
 6 Revenue Code of 1986 (relating to organizations must no-
 7 tify Secretary that they are section 527 organizations) is
 8 amended by striking “or” at the end of subparagraph (A),
 9 by striking the period at the end of subparagraph (B) and
 10 inserting “, or”, and by adding at the end the following:

11 “(C) which is a political committee of a
 12 State or local candidate or which is a State or
 13 local committee of a political party.”.

14 (b) EFFECTIVE DATE.—The amendments made by
 15 subsection (a) shall take effect as if included in the
 16 amendments made by Public Law 106–230.

17 **SEC. 2. EXEMPTION FOR CERTAIN STATE AND LOCAL PO-**
 18 **LITICAL COMMITTEES FROM REPORTING RE-**
 19 **QUIREMENTS.**

20 (a) IN GENERAL.—Section 527(j)(5) of the Internal
 21 Revenue Code of 1986 (relating to coordination with other
 22 requirements) is amended by redesignating subparagraphs
 23 (C), (D), and (E) as subparagraphs (D), (E), and (F),
 24 respectively, and by inserting after subparagraph (B) the
 25 following new subparagraph:

1 “(C) to any organization which is a quali-
 2 fied State or local political organization,”.

3 (b) QUALIFIED STATE OR LOCAL POLITICAL ORGA-
 4 NIZATION.—Subsection (e) of section 527 of the Internal
 5 Revenue Code of 1986 (relating to other definitions) is
 6 amended by adding at the end the following new para-
 7 graph:

8 “(5) QUALIFIED STATE OR LOCAL POLITICAL
 9 ORGANIZATION.—

10 “(A) IN GENERAL.—The term ‘qualified
 11 State or local political organization’ means a
 12 political organization—

13 “(i) all the exempt functions of which
 14 are solely for the purposes of influencing
 15 or attempting to influence the selection,
 16 nomination, election, or appointment of
 17 any individual to any State or local public
 18 office or office in a State or local political
 19 organization,

20 “(ii) which is subject to State law that
 21 requires the organization to report (and it
 22 so reports)—

23 “(I) information regarding each
 24 separate expenditure from and con-
 25 tribution to such organization, and

1 “(II) information regarding the
2 person who makes such contribution
3 or receives such expenditure,
4 which would otherwise be required to be
5 reported under this section, and

6 “(iii) with respect to which the reports
7 referred to in clause (ii) are (I) made pub-
8 lic by the agency with which such reports
9 are filed, and (II) made publicly available
10 for inspection by the organization in the
11 manner described in section 6104(d).

12 “(B) CERTAIN STATE LAW DIFFERENCES
13 DISREGARDED.—An organization shall not be
14 treated as failing to meet the requirements of
15 subparagraph (A)(ii) solely by reason of 1 or
16 more of the following:

17 “(i) The minimum amount of any ex-
18 penditure or contribution required to be re-
19 ported under State law is not more than
20 \$300 greater than the minimum amount
21 required to be reported under subsection
22 (j).

23 “(ii) The State law does not require
24 the organization to identify 1 or more of
25 the following:

1 “(I) The employer of any person
2 who makes contributions to the orga-
3 nization.

4 “(II) The occupation of any per-
5 son who makes contributions to the
6 organization.

7 “(III) The employer of any per-
8 son who receives expenditures from
9 the organization.

10 “(IV) The occupation of any per-
11 son who receives expenditures from
12 the organization.

13 “(V) The purpose of any expendi-
14 ture of the organization.

15 “(VI) The date any contribution
16 was made to the organization.

17 “(VII) The date of any expendi-
18 ture of the organization.

19 “(C) DE MINIMIS ERRORS.—An organiza-
20 tion shall not fail to be treated as a qualified
21 State or local political organization solely be-
22 cause such organization makes de minimis er-
23 rors in complying with the State reporting re-
24 quirements and the public inspection require-
25 ments described in subparagraph (A) as long as

1 the organization corrects such errors within a
2 reasonable period after the organization be-
3 comes aware of such errors.

4 “(D) PARTICIPATION OF FEDERAL CAN-
5 DIDATE OR OFFICE HOLDER.—The term ‘quali-
6 fied State or local political organization’ shall
7 not include any organization otherwise de-
8 scribed in subparagraph (A) if a candidate for
9 nomination or election to Federal elective public
10 office or an individual who holds such office—

11 “(i) controls or materially participates
12 in the direction of the organization,

13 “(ii) solicits contributions to the orga-
14 nization (unless the Secretary determines
15 that such solicitations resulted in de mini-
16 mis contributions and were made without
17 the prior knowledge and consent, whether
18 explicit or implicit, of the organization or
19 its officers, directors, agents, or employ-
20 ees), or

21 “(iii) directs, in whole or in part, dis-
22 bursements by the organization.”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall take effect as if included in the amend-
25 ments made by Public Law 106–230.

1 **SEC. 3. EXEMPTION FROM ANNUAL RETURN REQUIRE-**
 2 **MENTS.**

3 (a) INCOME TAX RETURNS REQUIRED ONLY FOR
 4 POLITICAL ORGANIZATION TAXABLE INCOME.—Para-
 5 graph (6) of section 6012(a) of the Internal Revenue Code
 6 of 1986 (relating to persons required to make returns of
 7 income) is amended by striking “or which has” and all
 8 that follows through “section)”.

9 (b) INCOME TAX RETURNS NOT SUBJECT TO DIS-
 10 CLOSURE.—

11 (1) DISCLOSURE BY THE SECRETARY.—Sub-
 12 section (b) of section 6104 of such Code (relating to
 13 disclosure by the Secretary of annual information re-
 14 turns) is amended by striking “6012(a)(6),”.

15 (2) PUBLIC INSPECTION.—Subsection (d) of
 16 section 6104 of such Code (relating to public inspec-
 17 tion of certain annual returns) is amended—

18 (A) in paragraph (1)(A)(i) by striking “or
 19 section 6012(a)(6) (relating to returns by polit-
 20 ical organizations)”, and

21 (B) in subparagraph (2) by striking “or
 22 section 6012(a)(6)”.

23 (c) INFORMATION RETURNS.—Subsection (g) of sec-
 24 tion 6033 of such Code (relating to returns required by
 25 political organizations) is amended to read as follows:

1 “(g) RETURNS REQUIRED BY POLITICAL ORGANIZA-
2 TIONS.—

3 “(1) IN GENERAL.—This section shall apply to
4 a political organization (as defined by section
5 527(e)(1)) which has gross receipts of \$25,000 or
6 more for the taxable year. In the case of a political
7 organization which is a qualified State or local polit-
8 ical organization (as defined in section 527(e)(5)),
9 the preceding sentence shall be applied by sub-
10 stituting ‘\$100,000’ for ‘\$25,000’.

11 “(2) ANNUAL RETURNS.—Political organiza-
12 tions described in paragraph (1) shall file an annual
13 return—

14 “(A) containing the information required,
15 and complying with the other requirements,
16 under subsection (a)(1) for organizations ex-
17 empt from taxation under section 501(a), with
18 such modifications as the Secretary considers
19 appropriate to require only information which is
20 necessary for the purposes of carrying out sec-
21 tion 527, and

22 “(B) containing such other information as
23 the Secretary deems necessary to carry out the
24 provisions of this subsection.

1 “(3) MANDATORY EXCEPTIONS FROM FILING.—

2 Paragraph (2) shall not apply to an organization—

3 “(A) which is a State or local committee of
4 a political party, or political committee of a
5 State or local candidate,

6 “(B) which is a caucus or association of
7 State or local officials,

8 “(C) which is an authorized committee (as
9 defined in section 301(6) of the Federal Elec-
10 tion Campaign Act of 1971) of a candidate for
11 Federal office,

12 “(D) which is a national committee (as de-
13 fined in section 301(14) of the Federal Election
14 Campaign Act of 1971) of a political party,

15 “(E) which is a United States House of
16 Representatives or United States Senate cam-
17 paign committee of a political party committee,

18 “(F) which is required to report under the
19 Federal Election Campaign Act of 1971 as a
20 political committee (as defined in section 301(4)
21 of such Act), or

22 “(G) to which section 527 applies for the
23 taxable year solely by reason of subsection
24 (f)(1) of such section.

1 “(4) DISCRETIONARY EXCEPTION.—The Sec-
2 retary may relieve any organization required under
3 paragraph (2) to file an information return from fil-
4 ing such a return if the Secretary determines that
5 such filing is not necessary to the efficient adminis-
6 tration of the internal revenue laws.”.

7 (d) EFFECTIVE DATE.—The amendments made by
8 this section shall take effect as if included in the amend-
9 ments made by Public Law 106–230.

10 **SEC. 4. NOTIFICATION OF INTERACTION OF REPORTING**
11 **REQUIREMENTS.**

12 (a) IN GENERAL.—The Secretary of the Treasury, in
13 consultation with the Federal Election Commission, shall
14 publicize—

15 (1) the effect of the amendments made by this
16 Act, and

17 (2) the interaction of requirements to file a no-
18 tification or report under section 527 of the Internal
19 Revenue Code of 1986 and reports under the Fed-
20 eral Election Campaign Act of 1971.

21 (b) INFORMATION.—Information provided under sub-
22 section (a) shall be included in any appropriate form, in-
23 struction, notice, or other guidance issued to the public
24 by the Secretary of the Treasury or the Federal Election
25 Commission regarding reporting requirements of political

1 organizations (as defined in section 527 of the Internal
2 Revenue Code of 1986) or reporting requirements under
3 the Federal Election Campaign Act of 1971.

4 **SEC. 5. WAIVER OF FILING AMOUNTS.**

5 (a) WAIVER OF FILING AMOUNTS.—Section 527 of
6 the Internal Revenue Code of 1986 is amended by adding
7 at the end the following:

8 “(k) AUTHORITY TO WAIVE.—The Secretary may
9 waive all or any portion of the—

10 “(1) tax assessed on an organization by reason
11 of the failure of the organization to comply with the
12 requirements of subsection (i), or

13 “(2) amount imposed under subsection (j) for a
14 failure to comply with the requirements thereof,
15 on a showing that such failure was due to reasonable cause
16 and not due to willful neglect.”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 subsection (a) shall apply to any tax assessed or amount
19 imposed after June 30, 2000.

20 **SEC. 6. MODIFICATIONS TO SECTION 527 ORGANIZATION**
21 **DISCLOSURE PROVISIONS.**

22 (a) UNSEGREGATED FUNDS NOT TO AVOID TAX.—
23 Paragraph (4) of section 527(i) of the Internal Revenue
24 Code of 1986 (relating to failure to notify) is amended
25 by adding at the end the following new sentence: “For

1 purposes of the preceding sentence, the term ‘exempt func-
2 tion income’ means any amount described in a subpara-
3 graph of subsection (c)(3), whether or not segregated for
4 use for an exempt function.”.

5 (b) PROCEDURES FOR ASSESSMENT AND COLLEC-
6 TION OF AMOUNTS.—Paragraph (1) of section 527(j) of
7 the Internal Revenue Code of 1986 (relating to required
8 disclosure of expenditures and contributions) is amended
9 by adding at the end the following new sentence: “For
10 purposes of subtitle F, the amount imposed by this para-
11 graph shall be assessed and collected in the same manner
12 as penalties imposed by section 6652(c).”.

13 (c) DUPLICATE WRITTEN FILINGS NOT RE-
14 QUIRED.—Subparagraph (A) of section 527(i)(1) of the
15 Internal Revenue Code of 1986 is amended by striking “,
16 electronically and in writing,” and inserting “electroni-
17 cally”.

18 (d) APPLICATION OF FRAUD PENALTY.—Section
19 7207 of the Internal Revenue Code of 1986 (relating to
20 fraudulent returns, statements, and other documents) is
21 amended by striking “pursuant to subsection (b) of section
22 6047 or pursuant to subsection (d) of section 6104” and
23 inserting “pursuant to section 6047(b), section 6104(d),
24 or subsection (i) or (j) of section 527”.

25 (e) CONTENTS AND FILING OF REPORT.—

1 (1) CONTENTS.—Section 527(j)(3) of the Inter-
2 nal Revenue Code of 1986 (relating to contents of
3 report) is amended—

4 (A) by inserting “, date, and purpose”
5 after “The amount” in subparagraph (A), and

6 (B) by inserting “and date” after “the
7 amount” in subparagraph (B).

8 (2) ELECTRONIC FILING.—Section 527(j) of
9 such Code is amended by adding at the end the fol-
10 lowing new paragraph:

11 “(7) ELECTRONIC FILING.—Any report re-
12 quired under paragraph (2) with respect to any cal-
13 endar year shall be filed in electronic form if the or-
14 ganization has, or has reason to expect to have, con-
15 tributions exceeding \$50,000 or expenditures exceed-
16 ing \$50,000 in such calendar year.”.

17 (3) ELECTRONIC FILING AND ACCESS OF RE-
18 QUIRED DISCLOSURES.—Section 527 of such Code,
19 as amended by section 5(a), is amended by redesign-
20 ating subsection (k) as subsection (l) and by insert-
21 ing after subsection (j) the following new subsection:

22 “(k) PUBLIC AVAILABILITY OF NOTICES AND RE-
23 PORTS.—

24 “(1) IN GENERAL.—The Secretary shall make
25 any notice described in subsection (i)(1) or report

1 described in subsection (j)(7) available for public in-
2 spection on the Internet not later than 48 hours
3 after such notice or report has been filed (in addi-
4 tion to such public availability as may be made
5 under section 6104(d)(7)).

6 “(2) ACCESS.—The Secretary shall make the
7 entire database of notices and reports which are
8 made available to the public under paragraph (1)
9 searchable by the following items (to the extent the
10 items are required to be included in the notices and
11 reports):

12 “(A) Names, States, zip codes, custodians
13 of records, directors, and general purposes of
14 the organizations.

15 “(B) Entities related to the organizations.

16 “(C) Contributors to the organizations.

17 “(D) Employers of such contributors.

18 “(E) Recipients of expenditures by the or-
19 ganizations.

20 “(F) Ranges of contributions and expendi-
21 tures.

22 “(G) Time periods of the notices and re-
23 ports.

24 Such database shall be downloadable.”.

1 (f) CONTENTS OF NOTICE.—Section 527(i)(3) of the
2 Internal Revenue Code of 1986 (relating to contents of
3 notice) is amended by striking “and” at the end of sub-
4 paragraph (D), by redesignating subparagraph (E) as sub-
5 paragraph (F), and by inserting after subparagraph (D)
6 the following new subparagraph:

7 “(E) whether the organization intends to
8 claim an exemption from the requirements of
9 subsection (j) or section 6033, and”.

10 (g) TIMING OF NOTICE IN CASE OF MATERIAL
11 CHANGE.—

12 (1) IN GENERAL.—Subparagraph (B) of section
13 527(i)(1) of the Internal Revenue Code of 1986 (re-
14 lating to general notification requirement) is amend-
15 ed by inserting “or, in the case of any material
16 change in the information required under paragraph
17 (3), for the period beginning on the date on which
18 the material change occurs and ending on the date
19 on which such notice is given” after “given”.

20 (2) TIME TO GIVE NOTICE.—Section 527(i)(2)
21 of the Internal Revenue Code of 1986 (relating to
22 time to give notice) is amended by inserting “or, in
23 the case of any material change in the information
24 required under paragraph (3), not later than 30

1 days after such material change” after “estab-
2 lished”.

3 (3) EFFECT OF FAILURE.—Paragraph (4) of
4 section 527(i) of the Internal Revenue Code of 1986
5 (relating to effect of failure) is amended by inserting
6 before the period at the end the following: “or, in
7 the case of a failure relating to a material change,
8 by taking into account such income and deductions
9 only during the period beginning on the date on
10 which the material change occurs and ending on the
11 date on which notice is given under this subsection”.

12 (h) EFFECTIVE DATES.—

13 (1) SUBSECTIONS (a) AND (b).—The amend-
14 ments made by subsections (a) and (b) shall apply
15 to failures occurring on or after the date of the en-
16 actment of this Act.

17 (2) SUBSECTION (c).—The amendments made
18 by subsection (c) shall take effect as if included in
19 the amendments made by Public Law 106–230.

20 (3) SUBSECTION (d).—The amendment made
21 by subsection (d) shall apply to reports and notices
22 required to be filed on or after the date of the enact-
23 ment of this Act.

24 (4) SUBSECTIONS (e)(1) AND (f).—The amend-
25 ments made by subsections (e)(1) and (f) shall apply

1 to reports and notices required to be filed more than
2 30 days after the date of the enactment of this Act.

3 (5) SUBSECTIONS (e)(2) AND (e)(3).—The
4 amendments made by subsections (e)(2) and (e)(3)
5 shall apply to reports required to be filed on or after
6 June 30, 2003.

7 (6) SUBSECTION (g).—

8 (A) IN GENERAL.—The amendments made
9 by subsection (g) shall apply to material
10 changes on or after the date of the enactment
11 of this Act.

12 (B) TRANSITION RULE.—In the case of a
13 material change occurring during the 30-day
14 period beginning on the date of the enactment
15 of this Act, a notice under section 527(i) of the
16 Internal Revenue Code of 1986 (as amended by
17 this Act) shall not be required to be filed under
18 such section before the later of—

19 (i) 30 days after the date of such ma-
20 terial change, or

21 (ii) 45 days after the date of the en-
22 actment of this Act.

1 **SEC. 7. EFFECT OF AMENDMENTS ON EXISTING DISCLO-**
2 **SURES.**

3 Notices, reports, or returns that were required to be
4 filed with the Secretary of the Treasury before the date
5 of the enactment of the amendments made by this Act
6 and that were disclosed by the Secretary of the Treasury
7 consistent with the law in effect at the time of disclosure
8 shall remain subject on and after such date to the dislo-
9 sure provisions of section 6104 of the Internal Revenue
10 Code of 1986.

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